

BEDFORD COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2008

# Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses and Changes in Net Assets	H	20
Statement of Cash Flows	I	21
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	22
Statement of Changes in Fiduciary Net Assets	K	23
Notes to Basic Financial Statements		24-34
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		35
Notes to Required Supplementary Information - Budgetary Reporting		36
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	38
Schedule of Changes in Special Revenue Funds, Student Activity Accounts	3	39-40
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds	4	41
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	5	42
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		43-44
Schedule of Findings		45-47

Bedford Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b> <b>(Before September 2007 election)</b>		
Tony Brown	President	2008
Mike Irvin	Vice President	2009
Jack Spencer	Board Member	2007
Ed Hensley	Board Member	2008
Layne Thornton	Board Member	2009
<b>Board of Education</b> <b>(After September 2007 election)</b>		
Tony Brown	President	2008
Mike Irvin	Vice President	2009
Ed Hensley	Board Member	2008
Layne Thornton	Board Member	2009
Jack Spencer	Board Member	2010
<b>School Officials</b>		
Joe Drake	Superintendent	2008
Sharon Hart	District Secretary/Treasurer	2008
Rick Engel	Attorney	2008

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
117 West 3rd Street North, Newton, Iowa 50208-3050  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Bedford Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bedford Community School District, Bedford, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Bedford Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2009 on our consideration of Bedford Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board.

Members American Institute & Iowa Society of Certified Public Accountants

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bedford Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2009

---

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

Bedford Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,476,862 in fiscal 2007 to \$4,765,051 in fiscal 2008, while General Fund expenditures increased from \$4,527,001 in fiscal 2007 to \$4,740,541 in fiscal 2008. This resulted in an increase in the District's General Fund balance from \$213,879 in fiscal 2007 to a balance of \$238,389 in fiscal 2008, an 11.46% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state source revenue in fiscal 2008. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.
- The October 2007 Certified Enrollment count resulted in an increase of 7.7 students, representing a 1.65% increase compared to the prior year.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Bedford Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Bedford Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Bedford Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

***Bedford Community School District Annual Financial Report***

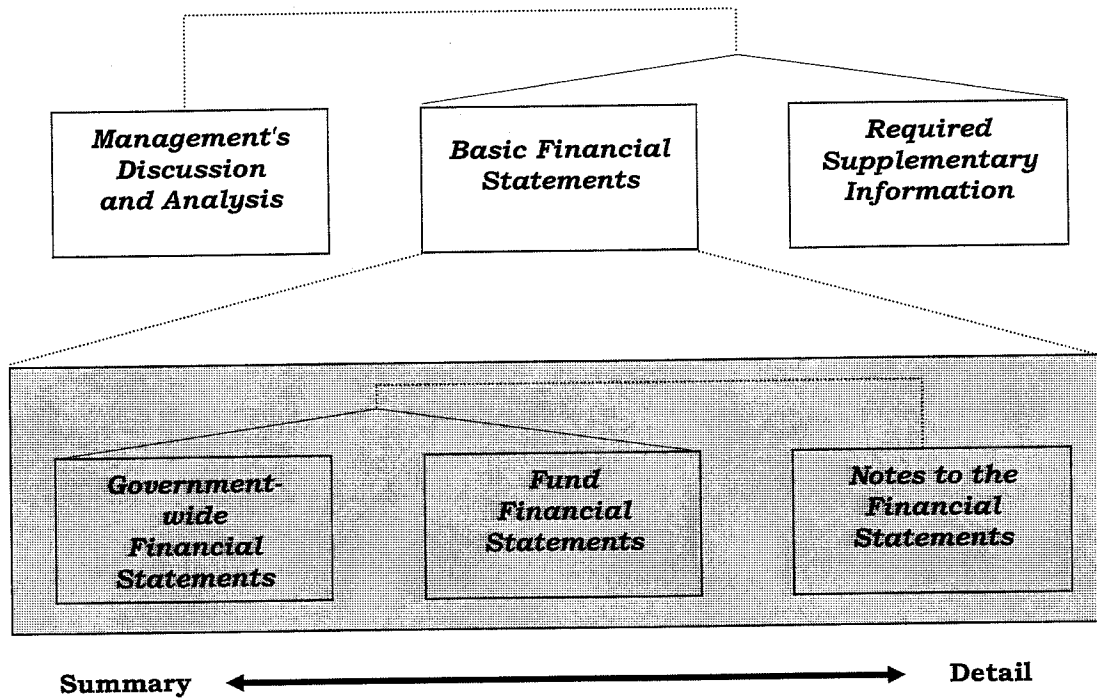


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-Wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



---

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency Fund and the Private Purpose Trust Fund.

- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 4,004,746	3,421,196	22,583	28,278	4,027,329	3,449,474	16.75%
Capital assets	4,696,054	4,742,060	26,225	37,884	4,722,279	4,779,944	-1.21%
Total assets	8,700,800	8,163,256	48,808	66,162	8,749,608	8,229,418	6.32%
Long-term obligations	835,000	1,111,115	0	0	835,000	1,111,115	-24.85%
Other liabilities	3,126,045	2,543,947	18,971	25,255	3,145,016	2,569,202	22.41%
Total liabilities	3,961,045	3,655,062	18,971	25,255	3,980,016	3,680,317	8.14%
Net assets:							
Invested in capital assets, net of related debt	3,861,054	3,712,060	26,225	37,884	3,887,279	3,749,944	3.66%
Restricted	537,077	490,736	0	0	537,077	490,736	9.44%
Unrestricted	341,624	305,398	3,612	3,023	345,236	308,421	11.94%
Total net assets	\$ 4,739,755	4,508,194	29,837	40,907	4,769,592	4,549,101	4.85%

The District's combined net assets increased by 4.85% or \$220,491 compared to the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased \$46,341 or 9.44% over the prior year.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenants, enabling legislation, or the legal

requirement - increased \$36,815 or 11.94%. The increase was primarily a result of the decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4 Changes of Net Assets								
	Governmental Activities		Business-type Activities		Total School District		Total Change	
	2008	2007	2008	2007	2008	2007	2007-08	
Revenues:								
Program revenues:								
Charges for services	\$ 626,867	567,815	116,679	103,086	743,546	670,901	10.83%	
Operating grants and contributions and restricted interest	893,054	623,283	127,248	181,154	1,020,302	804,437	26.83%	
Capital grants and contributions and restricted interest	23,244	25,000	0	0	23,244	25,000	-7.02%	
General revenues:								
Local tax	1,532,260	1,525,809	0	0	1,532,260	1,525,809	0.42%	
Income surtax	143,953	136,793	0	0	143,953	136,793	5.23%	
Local option sales and service tax	157,755	295,923	0	0	157,755	295,923	-46.69%	
Unrestricted state grants	2,107,829	2,028,930	0	0	2,107,829	2,028,930	3.89%	
Other	91,070	49,884	75	30,123	91,145	80,007	13.92%	
Total revenues	5,576,032	5,253,437	244,002	314,363	5,820,034	5,567,800	4.53%	
Program expenses:								
Governmental activities:								
Instructional	3,223,182	3,186,137	0	0	3,223,182	3,186,137	1.16%	
Support services	1,615,308	1,526,846	1,332	2,322	1,616,640	1,529,168	5.72%	
Non-instructional programs	0	0	253,740	307,614	253,740	307,614	-17.51%	
Other expenses	505,981	471,123	0	0	505,981	471,123	7.40%	
Total expenses	5,344,471	5,184,106	255,072	309,936	5,599,543	5,494,042	1.92%	
Changes in net assets	231,561	69,331	(11,070)	4,427	220,491	73,758	198.94%	
Net assets beginning of year	4,508,194	4,438,863	40,907	36,480	4,549,101	4,475,343	1.65%	
Net assets end of year	\$ 4,739,755	4,508,194	29,837	40,907	4,769,592	4,549,101	4.85%	

In fiscal 2008, property tax, income surtax, local option sales and services tax and unrestricted state grants accounted for 70.69% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.97% of the revenue from business-type activities.

The District's total revenues were \$5,820,034 of which \$5,576,032 was for governmental activities and \$244,002 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 4.53% increase in revenues and a 1.92% increase in expenses. The increases in expenses related to increases in negotiated salary and benefits as well as increases in expenses fund by grants received by the District.

---

## Governmental Activities

Revenues for governmental activities were \$5,576,032 and expenses were \$5,344,471. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 3,223,182	3,186,137	1.16%	1,872,473	2,160,216	-13.32%
Support services	1,615,308	1,526,846	5.79%	1,612,635	1,525,547	5.71%
Other expenses	505,981	471,123	7.40%	316,198	282,245	12.03%
Totals	<u>\$ 5,344,471</u>	<u>5,184,106</u>	<u>3.09%</u>	<u>3,801,306</u>	<u>3,968,008</u>	<u>-4.20%</u>

- The cost financed by users of the District's programs was \$626,867.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$916,298.
- The net cost of governmental activities was financed with \$1,532,260 in local tax, \$143,953 in income surtax, \$157,755 in local option sales and service tax, \$2,107,829 in unrestricted state grants, \$52,060 in interest income and \$39,010 in other general revenues.

## Business-Type Activities

Revenues of the District's business-type activities were \$244,002 and expenses were \$255,072. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Bedford Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$758,415, below last year's ending fund balances of a \$772,692. The primary reason for this decrease was due to the decrease in the Capital Projects Fund balance.

## Governmental Fund Highlights

- The District's increase in General Fund financial position is the product of many factors. The increase in revenues was more than enough to offset the District's increase in General Fund expenditures ensuring the increase of the District's financial position.
- The Capital Projects fund balance decreased from \$393,850, in 2007, to \$306,472, in 2008, due to an increase in facilities acquisitions expenditures.

## Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$40,907 at June 30, 2007 to \$29,837 at June 30, 2008, representing a decrease of 27.06%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$237,552 more than budgeted revenues, a variance of 4.27%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the District had invested \$4.72 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.21% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$281,783.

The original cost of the District's capital assets was \$8,088,222. Governmental funds account for \$7,970,749 with the remainder of \$117,473 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land category. The District's land totaled \$19,900 at June 30, 2007 compared to \$34,900 at June 30, 2008. This increase was the result of acquisition of land from the dissolution of the New Market School District.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 34,900	19,900	0	0	34,900	19,900	75.38%
Buildings	4,174,921	4,267,738	0	0	4,174,921	4,267,738	-2.17%
Land improvements	295,173	284,953	0	0	295,173	284,953	3.59%
Machinery and equipment	191,060	169,469	26,225	37,884	217,285	207,353	4.79%
Total	\$ 4,696,054	4,742,060	26,225	37,884	4,722,279	4,779,944	-1.21%

### Long-Term Debt

At June 30, 2008, the District had long-term debt outstanding of \$835,000 in general obligation and other long-term debt outstanding. This represents a decrease of 24.85% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$755,000 at June 30, 2008.

The District had total outstanding capital loan notes payable from the Special Revenue, Physical Plant and Equipment Levy Fund of \$80,000 at June 30, 2008.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 755,000	930,000	-18.82%
Capital loan notes	80,000	100,000	-20.00%
Early retirement	0	81,115	-100.00%
Total	\$ 835,000	1,111,115	-24.85%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The voters of Taylor County passed the Local Options Sales and Service Tax for School Infrastructure (SILO). This 1 cent tax on sales and service will greatly benefit the District in maintaining their building, purchasing equipment and paying long-term debt. Funding began in January 2005 and will continue through December 2014.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sharon Hart, Board Secretary, Bedford Community School District, 906 Penn Street, Bedford, Iowa, 50833.

BASIC FINANCIAL STATEMENTS

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments:			
ISCAP(Note 4)	\$ 718,811	0	718,811
Other	906,209	13,015	919,224
Receivables:			
Property tax:			
Delinquent	30,816	0	30,816
Succeeding year	1,866,991	0	1,866,991
Income surtax	122,471	0	122,471
Accounts	2,459	2,261	4,720
Accrued ISCAP interest (Note 4)	2,624	0	2,624
Due from other governments	354,365	44	354,409
Inventories	0	7,263	7,263
Capital assets, net of accumulated depreciation (Note 5)	4,696,054	26,225	4,722,279
<b>Total Assets</b>	<b>8,700,800</b>	<b>48,808</b>	<b>8,749,608</b>
<b>Liabilities</b>			
Accounts payable	110,004	0	110,004
Salaries and benefits payable	421,637	16,105	437,742
ISCAP warrants payable (Note 4)	713,000	0	713,000
ISCAP unamortized premium	12,228	0	12,228
Interest payable	2,185	0	2,185
Deferred revenue:			
Succeeding year property tax	1,866,991	0	1,866,991
Unearned revenue	0	2,866	2,866
Long-term liabilities (Note 6):			
Portion due within one year:			
Bonds payable	180,000	0	180,000
Capital loan notes payable	20,000	0	20,000
Portion due after one year:			
Bonds payable	575,000	0	575,000
Capital loan notes payable	60,000	0	60,000
<b>Total Liabilities</b>	<b>3,961,045</b>	<b>18,971</b>	<b>3,980,016</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	3,861,054	26,225	3,887,279
Restricted for:			
Beginning teacher mentoring	4,259	0	4,259
Statewide voluntary preschool program	11,115	0	11,115
Market factor	1,677	0	1,677
Debt service	25,729	0	25,729
Capital projects	306,472	0	306,472
Management levy	62,707	0	62,707
Physical plant and equipment levy	70,942	0	70,942
Other special revenue purposes	54,176	0	54,176
Unrestricted	341,624	3,612	345,236
<b>Total Net Assets</b>	<b>\$ 4,739,755</b>	<b>29,837</b>	<b>4,769,592</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	\$ 1,733,260	285,649	699,821	0	(747,790)	0	(747,790)
Special instruction	709,680	103,182	26,694	0	(579,804)	0	(579,804)
Other instruction	780,242	235,363	0	0	(544,879)	0	(544,879)
	<u>3,223,182</u>	<u>624,194</u>	<u>726,515</u>	<u>0</u>	<u>(1,872,473)</u>	<u>0</u>	<u>(1,872,473)</u>
Support services:							
Student services	126,673	0	0	0	(126,673)	0	(126,673)
Instructional staff services	228,841	0	0	0	(228,841)	0	(228,841)
Administration services	609,434	0	0	0	(609,434)	0	(609,434)
Operation and maintenance of plant services	416,071	0	0	0	(416,071)	0	(416,071)
Transportation services	234,289	2,673	0	0	(231,616)	0	(231,616)
	<u>1,615,308</u>	<u>2,673</u>	<u>0</u>	<u>0</u>	<u>(1,612,635)</u>	<u>0</u>	<u>(1,612,635)</u>
Other expenditures:							
Facilities acquisitions	110,918	0	0	23,244	(87,674)	0	(87,674)
Long-term debt interest	31,846	0	0	0	(31,846)	0	(31,846)
AEA flowthrough	166,539	0	166,539	0	0	0	0
Depreciation(unallocated)*	196,678	0	0	0	(196,678)	0	(196,678)
	<u>505,981</u>	<u>0</u>	<u>166,539</u>	<u>23,244</u>	<u>(316,198)</u>	<u>0</u>	<u>(316,198)</u>
Total governmental activities	5,344,471	626,867	893,054	23,244	(3,801,306)	0	(3,801,306)
Business-Type activities:							
Support services:							
Operation and maintenance of plant services	1,332	0	0	0	0	(1,332)	(1,332)
Non-instructional programs:							
Nutrition services	253,740	116,679	127,248	0	0	(9,813)	(9,813)
Total business-type activities	<u>255,072</u>	<u>116,679</u>	<u>127,248</u>	<u>0</u>	<u>0</u>	<u>(11,145)</u>	<u>(11,145)</u>
Total	<u>\$ 5,599,543</u>	<u>743,546</u>	<u>1,020,302</u>	<u>23,244</u>	<u>(3,801,306)</u>	<u>(11,145)</u>	<u>(3,812,451)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,424,393	0	1,424,393
Capital outlay					60,682	0	60,682
Debt service					47,185	0	47,185
Income surtax					143,953	0	143,953
Local option sales and services tax					157,755	0	157,755
Unrestricted state grants					2,107,829	0	2,107,829
Unrestricted investment earnings					52,060	75	52,135
Other					39,010	0	39,010
Total general revenues					<u>4,032,867</u>	<u>75</u>	<u>4,032,942</u>
Changes in net assets					231,561	(11,070)	220,491
Net assets beginning of year					<u>4,508,194</u>	<u>40,907</u>	<u>4,549,101</u>
Net assets end of year					<u>\$ 4,739,755</u>	<u>29,837</u>	<u>4,769,592</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and pooled investments:				
ISCAP(Note 4)	\$ 718,811	0	0	718,811
Other	522,613	175,413	208,183	906,209
Receivables:				
Property tax				
Delinquent	26,056	0	4,760	30,816
Succeeding year	1,624,077	0	242,914	1,866,991
Income surtax	122,471	0	0	122,471
Accounts	409	0	2,050	2,459
Accrued ISCAP interest(Note 4)	2,624	0	0	2,624
Due from other governments	211,062	143,303	0	354,365
<b>Total Assets</b>	<b>\$ 3,228,123</b>	<b>318,716</b>	<b>457,907</b>	<b>4,004,746</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 96,321	12,244	1,439	110,004
Salaries and benefits payable	421,637	0	0	421,637
ISCAP warrants payable(Note 4)	713,000	0	0	713,000
ISCAP unamortized premium	12,228	0	0	12,228
Deferred revenue:				
Succeeding year property tax	1,624,077	0	242,914	1,866,991
Income surtax	122,471	0	0	122,471
<b>Total liabilities</b>	<b>2,989,734</b>	<b>12,244</b>	<b>244,353</b>	<b>3,246,331</b>
Fund balances:				
Reserved:				
Debt service	0	0	25,729	25,729
Beginning teacher mentoring	4,259	0	0	4,259
Statewide voluntary preschool program	11,115	0	0	11,115
Market factor	1,677	0	0	1,677
Unreserved	221,338	306,472	187,825	715,635
<b>Total fund balances</b>	<b>238,389</b>	<b>306,472</b>	<b>213,554</b>	<b>758,415</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,228,123</b>	<b>318,716</b>	<b>457,907</b>	<b>4,004,746</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2008

<b>Total fund balances of governmental funds (page 15)</b>	\$ 758,415
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,696,054
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	122,471
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(2,185)
Long-term liabilities, including bonds payable and capital loan notes payable, are not due and payable in the current and, therefore, are not reported as liabilities in the governmental funds.	(835,000)
<b>Net assets of governmental activities (page 13)</b>	<u><u>\$ 4,739,755</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 1,423,744	157,755	237,179	1,818,678
Tuition	363,870	0	0	363,870
Other	121,519	20,077	243,485	385,081
State sources	2,667,358	117,734	0	2,785,092
Federal sources	184,777	23,244	0	208,021
Total revenues	4,761,268	318,810	480,664	5,560,742
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	1,733,944	0	81,115	1,815,059
Special instruction	709,680	0	0	709,680
Other instruction	564,362	0	215,880	780,242
	3,007,986	0	296,995	3,304,981
Support services:				
Student services	126,673	0	0	126,673
Instructional staff services	228,841	0	0	228,841
Administration services	608,231	1,203	0	609,434
Operation and maintenance of plant services	402,221	0	58,950	461,171
Transportation services	200,050	0	10,046	210,096
	1,566,016	1,203	68,996	1,636,215
Other expenditures:				
Facilities acquisitions	0	243,782	0	243,782
Long-term debt:				
Principal	0	0	195,000	195,000
Interest and fiscal charges	0	0	32,285	32,285
AEA flowthrough	166,539	0	0	166,539
	166,539	243,782	227,285	637,606
Total expenditures	4,740,541	244,985	593,276	5,578,802
Excess(deficiency) of revenues over(under) expenditures	20,727	73,825	(112,612)	(18,060)
Other financing sources(uses):				
Sale of equipment	3,783	0	0	3,783
Transfers in	0	0	186,763	186,763
Transfers out	0	(161,203)	(25,560)	(186,763)
Total other financing sources(uses)	3,783	(161,203)	161,203	3,783
Net change in fund balances	24,510	(87,378)	48,591	(14,277)
Fund balance beginning of year	213,879	393,850	164,963	772,692
Fund balance end of year	\$ 238,389	306,472	213,554	758,415

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ (14,277)

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, depreciation expense and loss on disposal of capital assets for the current year, are as follows:

Expenditures for capital assets	\$ 228,931	
Depreciation expense	(270,124)	
Loss on disposal of capital assets	<u>(4,813)</u>	(46,006)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 15,290

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 195,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 439

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement	<u>81,115</u>
------------------	---------------

Changes in net assets of governmental activities (page 14) \$ 231,561

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2008

	<u>School</u> <u>Nutrition</u>
<b>Assets</b>	
Cash and pooled investments	\$ 13,015
Accounts receivable	2,261
Due from other governments	44
Inventories	7,263
Capital assets, net of accumulated depreciation(Note 5)	26,225
<b>Total Assets</b>	<u>48,808</u>
<b>Liabilities</b>	
Salaries and benefits payable	16,105
Unearned revenue	2,866
<b>Total Liabilities</b>	<u>18,971</u>
<b>Net Assets</b>	
Invested in capital assets	26,225
Unrestricted	3,612
<b>Total Net Assets</b>	<u>\$ 29,837</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 116,679
TOTAL OPERATING REVENUES	<u>116,679</u>
OPERATING EXPENSES:	
Support services:	
Operation and maintenance of plant services:	
Services	<u>1,332</u>
Non-instructional programs:	
Food service operations:	
Salaries	92,771
Benefits	17,246
Services	117
Supplies	131,272
Depreciation	11,659
Other	675
	<u>253,740</u>
TOTAL OPERATING EXPENSES	<u>255,072</u>
OPERATING LOSS	<u>(138,393)</u>
NON-OPERATING REVENUES:	
State sources	3,084
Federal sources	124,164
Interest income	75
TOTAL NON-OPERATING REVENUES	<u>127,323</u>
Change in net assets	(11,070)
Net assets beginning of year	<u>40,907</u>
Net assets end of year	<u>\$ 29,837</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 108,139
Cash received from miscellaneous	6,763
Cash payments to employees for services	(111,914)
Cash payments to suppliers for goods or services	(120,739)
Net cash used in operating activities	<u>(117,751)</u>
Cash flows from non-capital financing activities:	
State grants received	3,084
Federal grants received	132,452
Net cash provided by non-capital financing activities	<u>135,536</u>
Cash flows from investing activities:	
Interest on investments	75
Net cash provided by investing activities	<u>75</u>
Net increase in cash and cash equivalents	17,860
Cash and cash equivalents at beginning of year	<u>(4,845)</u>
Cash and cash equivalents at end of year	<u>\$ 13,015</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (138,393)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	13,028
Depreciation	11,659
Increase in inventories	(371)
Increase in accounts receivable	(2,235)
Decrease in salaries and benefits payable	(1,897)
Increase in unearned revenue	458
Net cash used in operating activities	<u>\$ (117,751)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 13,015</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$13,028.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 3,827	0
Due from other governments	0	15,756
<b>Total Assets</b>	<u>3,827</u>	<u>15,756</u>
<b>Liabilities</b>		
Excess of warrants issued over bank balance	<u>0</u>	<u>15,756</u>
<b>Net Assets</b>		
Unrestricted	<u>\$ 3,827</u>	<u>0</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2008

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest	<u>\$ 147</u>
Deductions:	
Scholarships	<u>1,000</u>
Change in net assets	(853)
Net assets beginning of year	<u>4,680</u>
Net assets end of year	<u>\$ 3,827</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BEDFORD COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Bedford Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Bedford, Iowa, and the predominate agricultural territory in Taylor and Ringgold Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Bedford Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Bedford Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Taylor and Ringgold Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Life (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for student fees and lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the balance sheet in the Enterprise, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment



companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified portfolio	<u>\$ 757,921</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

**(3) Transfers**

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue - Physical Plant and Equipment Levy	\$ 25,560
Debt Service	Capital Projects	<u>161,203</u>
Total		<u>\$ 186,763</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08A	6/27/07	6/27/08	\$ 0	2,624	0	0
2008-09A	6/26/08	6/25/09	718,811	0	713,000	0
Total			<u>\$ 718,811</u>	<u>2,624</u>	<u>713,000</u>	<u>0</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A	\$ 0	150,000	150,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.448%
2008-09A	3.500%	3.469%

##### (5) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 117,473	0	0	117,473
Less accumulated depreciation	79,589	11,659	0	91,248
Business-type activities capital assets, net	<u>\$ 37,884</u>	<u>(11,659)</u>	<u>0</u>	<u>26,225</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 19,900	15,000	0	34,900
Total capital assets not being depreciated	19,900	15,000	0	34,900
Capital assets being depreciated:				
Buildings	6,114,238	80,360	6,418	6,188,180
Land improvements	610,465	38,534	0	648,999
Machinery and equipment	1,018,182	95,037	14,549	1,098,670
Total capital assets being depreciated	7,742,885	213,931	20,967	7,935,849
Less accumulated depreciation for:				
Buildings	1,846,500	168,364	1,605	2,013,259
Land improvements	325,512	28,314	0	353,826
Machinery and equipment	848,713	73,446	14,549	907,610
Total accumulated depreciation	3,020,725	270,124	16,154	3,274,695
Total capital assets being depreciated, net	4,722,160	(56,193)	4,813	4,661,154
Governmental activities capital assets, net	\$ 4,742,060	(41,193)	4,813	4,696,054

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 23,800
Support services:	
Operation and maintenance	25,453
Transportation	24,193
	<u>73,446</u>
Unallocated depreciation	<u>196,678</u>
Total governmental activities depreciation expense	<u>\$ 270,124</u>
Business-type activities:	
Food services	<u>\$ 11,659</u>

#### (6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 930,000	0	175,000	755,000	180,000
Capital loan notes	100,000	0	20,000	80,000	20,000
Early retirement	81,115	0	81,115	0	0
Total	\$ 1,111,115	0	276,115	835,000	200,000

#### General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond Issue of July 1, 2003			
		Principal	Interest	Total	
2009	2.50 %	\$ 180,000	21,750	201,750	
2010	3.00	185,000	17,250	202,250	
2011	3.00	195,000	11,700	206,700	
2012	3.00	195,000	5,850	200,850	
Total		\$ 755,000	56,550	811,550	

#### Capital Loan Notes Payable

Details of the District's June 30, 2008 capital loan notes indebtedness are as follows:

Year Ending June 30,	Interest Rates	Capital Loan Notes			
		Principal	Interest	Total	
2009	4.60 %	\$ 20,000	4,460	24,460	
2010	4.70	20,000	3,540	23,540	
2011	6.50	20,000	2,600	22,600	
2012	6.50	20,000	1,300	21,300	
Total		\$ 80,000	11,900	91,900	

#### (7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$182,035, \$171,369 and \$167,332 respectively, equal to the required contributions for each year.

**(8) Risk Management**

Bedford Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$166,539 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Subsequent Events**

Effective, July 1, 2008 the New Market Community School District was closed. Due to the dissolution, the property of the District was divided between the Bedford, Clarinda, Villisca and Corning Community School Districts.

REQUIRED SUPPLEMENTARY INFORMATION

BEDFORD COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Types				Actual
	Actual	Actual	Actual	Original	Final	Variance
Revenues:						
Local sources	\$ 2,567,629	116,754	2,684,383	2,706,652	2,706,652	(22,269)
State sources	2,785,092	3,084	2,788,176	2,441,040	2,441,040	347,136
Federal sources	208,021	124,164	332,185	419,500	419,500	(87,315)
Total revenues	5,560,742	244,002	5,804,744	5,567,192	5,567,192	237,552
Expenditures:						
Instruction	3,304,981	0	3,304,981	3,573,075	3,573,075	268,094
Support services	1,636,215	1,332	1,637,547	1,825,216	1,825,216	187,669
Non-instructional programs	0	253,740	253,740	340,729	340,729	86,989
Other expenditures	637,606	0	637,606	752,847	752,847	115,241
Total expenditures	5,578,802	255,072	5,833,874	6,491,867	6,491,867	657,993
Excess(deficiency) of revenues over(under) expenditures	(18,060)	(11,070)	(29,130)	(924,675)	(924,675)	895,545
Other financing sources, net	3,783	0	3,783	5,500	5,500	(1,717)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(14,277)	(11,070)	(25,347)	(919,175)	(919,175)	893,828
Balance beginning of year	772,692	40,907	813,599	998,081	998,081	(184,482)
Balance end of year	\$ 758,415	29,837	788,252	78,906	78,906	709,346

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.



OTHER SUPPLEMENTARY INFORMATION

BEDFORD COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
<b>Assets</b>						
Cash and pooled investments	\$ 60,105	53,565	69,728	183,398	24,785	208,183
Receivables:						
Property tax:						
Current year delinquent	2,602	0	1,214	3,816	944	4,760
Succeeding year	120,000	0	70,664	190,664	52,250	242,914
Accounts	0	2,050	0	2,050	0	2,050
<b>Total Assets</b>	<b>\$ 182,707</b>	<b>55,615</b>	<b>141,606</b>	<b>379,928</b>	<b>77,979</b>	<b>457,907</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 0	1,439	0	1,439	0	1,439
Deferred revenue:						
Succeeding year property tax	120,000	0	70,664	190,664	52,250	242,914
	120,000	1,439	70,664	192,103	52,250	244,353
Fund balances:						
Reserved:						
Debt Service	0	0	0	0	25,729	25,729
Unreserved	62,707	54,176	70,942	187,825	0	187,825
	62,707	54,176	70,942	187,825	25,729	213,554
<b>Total Liabilities and Fund Balances</b>	<b>\$ 182,707</b>	<b>55,615</b>	<b>141,606</b>	<b>379,928</b>	<b>77,979</b>	<b>457,907</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 129,312	0	60,682	189,994	47,185	237,179
Other	11,283	228,961	2,106	242,350	1,135	243,485
TOTAL REVENUES	140,595	228,961	62,788	432,344	48,320	480,664
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	81,115	0	0	81,115	0	81,115
Other instruction	0	215,880	0	215,880	0	215,880
Support services:						
Operation and maintenance of plant services	58,950	0	0	58,950	0	58,950
Transportation services	10,046	0	0	10,046	0	10,046
Other expenditures:						
Long-term debt:						
Principal	0	0	0	0	195,000	195,000
Interest and fiscal charges	0	0	0	0	32,285	32,285
TOTAL EXPENDITURES	150,111	215,880	0	365,991	227,285	593,276
Excess(deficiency) of revenues over(under) expenditures	(9,516)	13,081	62,788	66,353	(178,965)	(112,612)
OTHER FINANCING SOURCES(USES):						
Transfers in	0	0	0	0	186,763	186,763
Transfers out	0	0	(25,560)	(25,560)	0	(25,560)
TOTAL OTHER FINANCING SOURCES(USES)	0	0	(25,560)	(25,560)	186,763	161,203
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	(9,516)	13,081	37,228	40,793	7,798	48,591
FUND BALANCES BEGINNING OF YEAR	72,223	41,095	33,714	147,032	17,931	164,963
FUND BALANCES END OF YEAR	\$ 62,707	54,176	70,942	187,825	25,729	213,554

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<b>HS Athletics:</b>				
Football	\$ 7,418	8,833	8,856	7,395
Volleyball	2,639	22,096	22,728	2,007
Basketball	5,272	32,584	27,413	10,443
Wrestling	(626)	8,764	9,235	(1,097)
Track	(2,836)	1,841	4,396	(5,391)
Softball	(3,306)	4,428	4,609	(3,487)
Baseball	(5,159)	5,989	6,578	(5,748)
Golf	0	3,271	3,271	0
Cross Country	0	308	308	0
	3,402	88,114	87,394	4,122
<b>HS Clubs &amp; Organizations:</b>				
FFA	9,450	12,457	11,824	10,083
FCCLA	1,234	2,112	2,055	1,291
Iron Man Club	55	2,000	1,925	130
NHS	543	531	628	446
Student Council	181	6,341	5,677	845
SADOBS	838	1,686	1,336	1,188
Instrumental Club	(184)	781	849	(252)
Vocal	515	2,029	2,101	443
Swish and Spike Club	2,930	5,116	4,849	3,197
BPA	1,747	7,742	8,004	1,485
Yearbook	4,533	6,626	5,946	5,213
Bulldog Club	390	6,632	4,969	2,053
Cheerleaders	(3,001)	11,468	7,981	486
Art	900	160	205	855
Musical	1,033	28	0	1,061
Music Club	9	0	0	9
Class of 2008	7,325	6,400	13,677	48
Class of 2009	659	25,185	16,681	9,163
Class of 2010	874	0	0	874
Class of 2011	1,101	0	0	1,101
Class of 2012	800	451	98	1,153
Class of 2013	400	400	0	800
Class of 2014	0	400	0	400
	32,332	98,545	88,805	42,072

BEDFORD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<b>MS Athletics:</b>				
Volleyball	1,136	1,132	722	1,546
Basketball	1,357	1,641	1,733	1,265
Wrestling	1,116	426	806	736
Track	1,336	2,953	2,852	1,437
Softball	(906)	1,445	330	209
Baseball	202	558	244	516
Football	961	1,814	1,875	900
	<u>5,202</u>	<u>9,969</u>	<u>8,562</u>	<u>6,609</u>
<b>MS Clubs &amp; Organizations:</b>				
Student Council	51	191	130	112
Magazine Sales	0	8,532	8,532	0
	<u>51</u>	<u>8,723</u>	<u>8,662</u>	<u>112</u>
<b>Elementary Clubs &amp; Organizations:</b>				
PTK Club	546	0	320	226
K-8 Book Fair	7	5,207	5,214	0
Teachers	(84)	1,189	1,105	0
Student Council	452	4,789	4,641	600
Yearbook	(884)	0	0	(884)
	<u>37</u>	<u>11,185</u>	<u>11,280</u>	<u>(58)</u>
<b>District-wide Accounts:</b>				
Great Race	309	130	0	439
Activity Tickets	0	4,375	4,375	0
Interest	0	603	603	0
Field Trips	83	1,850	1,747	186
After Prom	96	4,140	4,152	84
Accruals	(417)	1,327	300	610
	<u>71</u>	<u>12,425</u>	<u>11,177</u>	<u>1,319</u>
Total	<u>\$ 41,095</u>	<u>228,961</u>	<u>215,880</u>	<u>54,176</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Due from other governments	\$ 16,304	42,839	43,387	15,756
<b>Liabilities</b>				
Excess of warrants issued over bank balance	\$ 16,304	42,839	43,387	15,756

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BEDFORD COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FIVE YEARS

		Modified Accrual Basis				
		Years Ended June 30,				
		2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax		\$ 1,818,678	1,944,692	1,924,607	1,916,676	1,715,835
Tuition		363,870	346,398	288,236	286,952	226,566
Other		385,081	323,980	265,122	223,187	255,583
Intermediate sources		0	0	0	0	13,842
State sources		2,785,092	2,449,830	2,434,906	2,448,145	2,387,939
Federal sources		208,021	213,966	215,985	276,921	202,782
Total		\$ 5,560,742	5,278,866	5,128,856	5,151,881	4,802,547
Expenditures:						
Instruction:						
Regular instruction		\$ 1,815,059	1,714,689	1,742,618	1,685,586	1,827,291
Special instruction		709,680	726,034	668,187	631,157	681,621
Other instruction		780,242	714,355	692,015	699,544	461,861
Support services:						
Student services		126,673	118,310	125,990	119,110	126,943
Instructional staff services		228,841	163,211	154,620	145,669	66,160
Administration services		609,434	576,913	541,728	470,936	516,767
Operation and maintenance of plant services		461,171	437,604	419,410	473,976	362,397
Transportation services		210,096	217,959	197,344	205,110	174,590
Other support services		0	0	0	0	64,068
Other expenditures:						
Facilities acquisitions		243,782	155,833	189,443	86,976	56,448
Long-term debt:						
Principal		195,000	190,000	185,000	180,000	180,000
Interest and other charges		32,285	37,320	41,365	45,377	194,065
AEA flow-through		166,539	163,878	159,486	159,710	161,018
Total		\$ 5,578,802	5,216,106	5,117,206	4,903,151	4,873,229

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

### Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the  
Bedford Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bedford Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 11, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bedford Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Bedford Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bedford Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Bedford Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Bedford Community School District's financial statements that is more than inconsequential will not be prevented or detected by Bedford Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Bedford Community School District's internal control.



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

#### Compliance and Other Matters

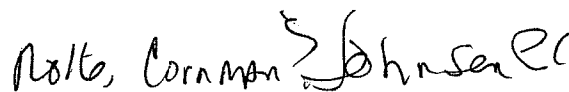
As part of obtaining reasonable assurance about whether Bedford Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Bedford Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Bedford Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Bedford Community School District and other parties to whom Bedford Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Bedford Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2009

BEDFORD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We do review internal control procedures annually and feel that we manage things as well as possible with the budget limitations we have.

Conclusion - Response accepted.

BEDFORD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting

- II-A-08 Certified Budget - District expenditures for the year ended June 30, 2008, did not exceed the amount budgeted.
- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tony Brown, Board Member Manager of Hy-Vee	Supplies	\$41,538
Eddie Hensley, Board Member Owner of Perfection Plus	Repairs	\$245
Donnie Weed, Teacher Owner of Bulldogs & Pink Frogs	Statues	\$35
Kay Goodridge, Para-educator Distributor for Home Interior	Candles	\$2,018
Cheryl Johnston, Secretary Personal services	Sewing	\$86
Donna Walston, Bus Driver Personal services	Baked cakes	\$82
Jack Shackelford, Bus Driver Personal services	Drywall Services	\$1,040

In accordance with Chapter 279.7A of the code of Iowa, the above transactions with Eddie Hensley do not appear to represent a conflict of interest and the above transactions with Tony Brown do not appear to represent a conflict of interest based on a legal opinion the District received.

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transactions with Donnie Weed, Kay Goodridge, Cheryl Johnston, Donna Walston and Jack Shackelford do not appear to represent a conflict of interest.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students reported on Line 1 was understated by one student. The number of students which were reported on Line 10 was overstated by 1.2 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We have contacted the Department of Education and the necessary adjustments have been made.

Conclusion - Response accepted.

- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-J-08 Student Activity Fund - We noted during our audit that the Student Activity Fund included six deficit account balances at June 30, 2008 totaling \$16,859.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods and services from these accounts. The District should investigate alternatives to eliminate the deficit balances.

Response - We will continue to review procedures for the Student Activity Fund, and will look for alternatives to eliminate the deficit balances.

Conclusion - Response accepted.